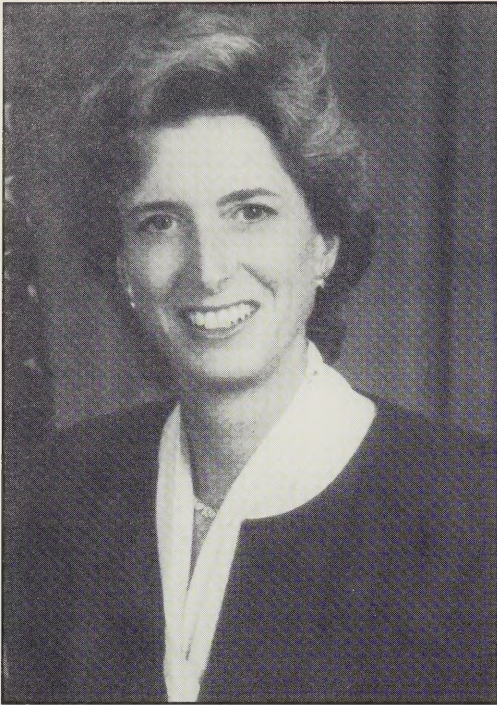


South Jersey Transportation Authority 1994 ANNUAL REPORT



Meeting the Transportation Needs of Southern New Jersey

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The Honorable Christine Todd Whitman
Governor of New Jersey



Stanley R. Glassey
Authority Chairman

ON THE COVER: The Atlantic City Expressway in autumn, looking west toward Hamilton Township
in Atlantic County.

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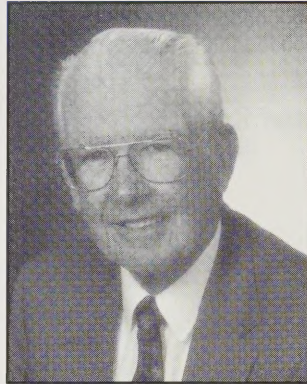
The South Jersey Transportation Authority, created by an Act of the New Jersey Legislature in 1991, exists to improve all forms of transportation in the six-county South Jersey region and to promote economic development through transportation-related projects. The SJTA mission includes the operation of the Atlantic City Expressway, the operation and expansion of Atlantic City International Airport, and the management of bus operations in Atlantic County. The Authority is the successor agency to both the New Jersey Expressway Authority and the Atlantic County Transportation Authority.

COMMISSIONERS

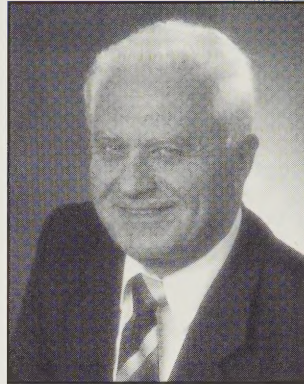
Of the South Jersey Transportation Authority



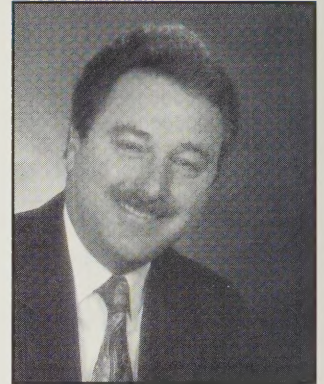
James R. Iannone
Vice Chairman



William L. Dalton



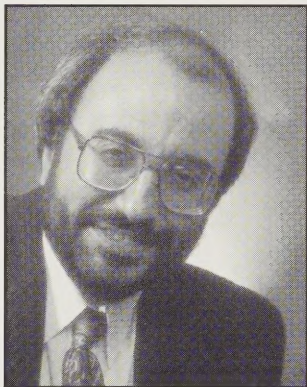
Charles J. DePalma



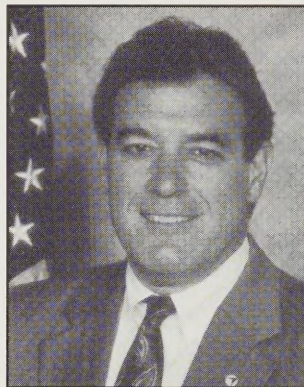
C. Edward Jordan, Jr.



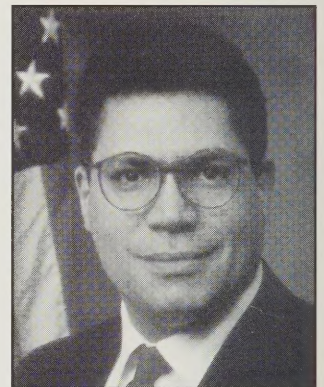
Hazel Levy



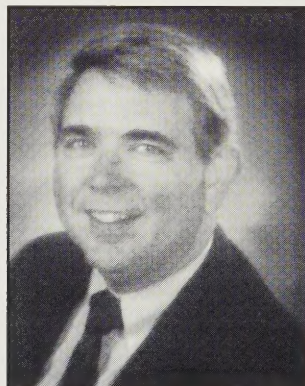
Louis Toscano



Frank J. Wilson
Commissioner
NJDOT



Gualberto Medina
Commissioner
NJDOC



James A. Crawford
Executive Director



SOUTH JERSEY TRANSPORTATION AUTHORITY

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Christine Todd Whitman
Governor

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James A. Crawford
Executive Director

Stanley R. Glassey
Chairman

The Honorable Christine Todd Whitman
Governor of the State of New Jersey,
Members of the New Jersey Legislature:

During its first two years, the South Jersey Transportation Authority has made a smooth transition into the broad based organization envisioned by the Legislature. The Authority completed its mission to unite the operations of the New Jersey Expressway Authority, Atlantic County Transportation Authority and Atlantic City International Airport into one, efficient organizational structure.

More than this, the Authority achieved scores of transportation improvements and promoted economic expansion in the six-county South Jersey region that the Authority serves. Travel on the Expressway continued to grow, providing the financial base for important projects. Airport expansion began, and the Authority emerged as the region's leader in transportation.

Our Expressway maintenance employees succeeded in overcoming an obstacle that at times seemed insurmountable. They kept the Expressway open during every hour of the fiercest ice and snow storms in many years. Travelers found a friend in the Expressway when the weather was an enemy and other roads were impassible.

A series of personnel changes improved service to Expressway patrons while saving money and requiring no layoffs. More innovative ways to better satisfy our customers while increasing efficiency are on the horizon.

Safety was always on our minds. We began projects in 1994 to install pavement reflectors and rumble strips along the full length of the Expressway. Likewise, we tested new paints that will improve the visibility of lane markings while protecting the environment from the pollution caused by older, oil-based paints. A capital plan to resurface every lane mile of the Expressway to increase motorist safety and comfort was generated by a study we did with the help of the New Jersey Department of Transportation.

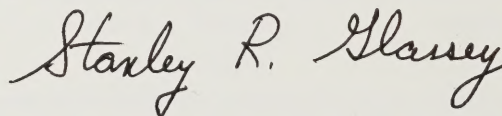
We won federal approval for one of the most exciting advancements a toll road authority can achieve. The Automated Toll Collection and electronic-pass systems, to be funded with the assistance of the Federal Highway Administration, should spell the end of toll booths as we know them. No longer will drivers have to fumble for change — or even come to a stop. The system's computer technology will mean instant collection of invaluable data. The information can, for just one example, help us stop traffic delays before they happen.

A five-year capital plan compiled in the last quarter of the year details a host of other improvements, from bridge repair to sign replacement to the installation of a third westbound lane on the Expressway. Three new interchanges at the western end of the Expressway are among the major projects we will study.

Construction of a terminal addition at Atlantic City International Airport, also begun in 1994, marked the start of dramatic changes that will benefit not only travelers but the economy of South Jersey and the state. There are obstacles to overcome, but we are confident that New Jersey will be home to another vital, internationally recognized airport because of the work we began in 1994.

We are proud to present this annual report, recognizing that the accomplishments are many but that much remains to be done. This is just the beginning. The Commissioners and staff of the South Jersey Transportation Authority look forward to the challenges we now face, knowing that our success will benefit the citizens of New Jersey far into the 21st century.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stanley R. Glassey". The signature is written in dark ink and is positioned above the printed name.

Stanley R. Glassey, Chairman

A MESSAGE

From the Executive Director

I am very pleased to present the first Annual Report of the South Jersey Transportation Authority.

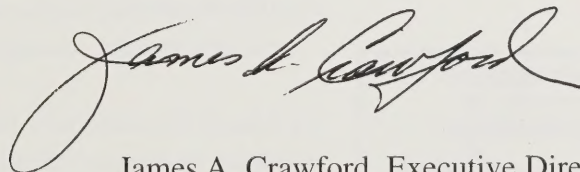
Since coming to the Authority in September, I have been impressed by the considerable skill and dedication of the people who work here. Our staff has a lot to offer as we pursue our mandate to better the lives of South Jersey residents by improving transportation services and spurring economic growth.

The Authority continues to keep a sharp focus on the mission assigned to us by the Legislature. The South Jersey Transportation Authority Act that created this Authority in 1991 describes a unique role for us. We must do more than operate a toll road and an airport, as big a challenge as those responsibilities represent. We also exist to foster economic development in South Jersey, to expand opportunities for visitors to enjoy the bounty of our region, and to give South Jersey residents a stronger voice in the transportation-related discussions that affect them first and foremost.

As I look back on 1994, I am proud of the many accomplishments of the Authority. Contrary to the expectations of some, we ended the year on a sound financial footing without resorting to the toll increase on the Atlantic City Expressway anticipated earlier in the year during a bond refinancing. We created savings and improved services through a personnel restructuring that required no layoffs. And we kept the roadway safe, clear and open throughout some of the worst winter storms in a decade.

The Authority is committed to major advances and improvements during the next four years. Our year-end budget approval calls for major safety and accessibility enhancements to the Expressway. Airport expansion is progressing and the Authority is reassessing its role in bus management.

I believe that both the region and the Authority have tremendous promise. I expect our success to continue and I know 1995 will be an exciting year for us all.

A handwritten signature in black ink, reading "James A. Crawford". The signature is fluid and cursive, with a large, stylized initial "J".

James A. Crawford, Executive Director

HIGHLIGHTS

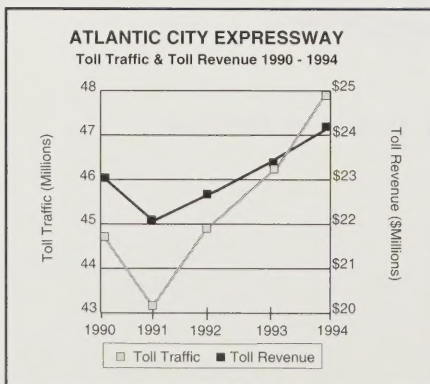
of 1994



"We committed ourselves to operating without a toll increase on the Atlantic City Expressway, contrary to expectations that 1994 would bring the first increase since a 15-cent raise at one toll plaza in 1969."

The commitments we made highlight the Authority's work in 1994. We committed ourselves to operating without a toll increase on the Atlantic City Expressway, contrary to expectations that 1994 would bring the first increase since a 15-cent raise at one toll plaza in 1969. We committed ourselves to capital programs to greatly improve travel on the Expressway and at Atlantic City International Airport. The Authority began work on several safety improvements for the Expressway and unveiled a new State Police headquarters. We began construction to nearly double the size of the Airport terminal by early 1996. Also in 1994, the Authority made a complete switch to tax-exempt bonds to yield more than a million dollars in savings for our customers.

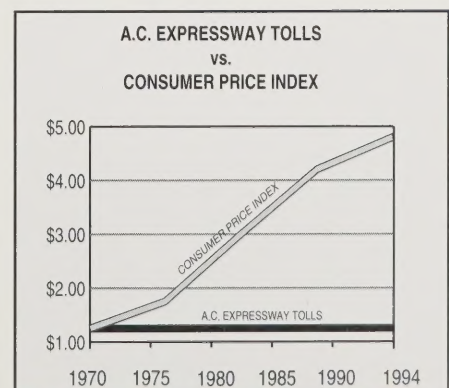
- Gross revenues for the South Jersey Transportation Authority totaled \$29,576,194, a .9 percent increase over 1993 revenue.
- Toll revenues from the Atlantic City Expressway totaled \$24,218,472, a 3.4 percent increase over 1993 revenue. Toll traffic jumped 3.8 percent, to 48 million vehicles from 46.3 million the previous year. In all, vehicles traveled a total of 791.5 million lane miles on the Expressway, an increase of 3.2 percent.
- Motorists on the Expressway paid an average of 2.8 cents per mile in tolls — 38 percent less than the national average for toll roads.
- Authority employees kept the Expressway safe and open throughout the winter's storms, making the roadway the first choice of local motorists. Crews cleared the road nineteen times during the harsh winter season, applying 11,594 tons of salt and liquid calcium.
- The Authority replaced its 1992 Series A taxable bonds with tax exempt bonds, saving more than \$1,500,000.
- The Authority also saved significant sums by restructuring toll plaza personnel. The Operations Department consolidated three superintendent positions into one, and eliminated the need for four gate monitors — all without layoffs.
- Thirty-nine State Police troopers moved into highly visible, state-of-the-art barracks at Farley Service Plaza on the Expressway. Troopers rendered assistance to motorists 10,948 times during the year.



- Construction began on an \$8.4 million project to add a host of amenities and nearly double the size of the terminal at Atlantic City International Airport. Starting in 1995, international passengers will fly directly to the Airport, without the need to stop and pre-clear elsewhere, because of a User Fee Designation negotiated with U.S. Customs.
- The Airport Department assumed responsibility for the airport's Aircraft Rescue and Firefighting Unit and operated it for \$1.5 million less than the year before.
- Authority efforts to increase diversity exceeded expectations, with Disadvantaged Business Entrepreneurs receiving 31 percent of the money spent on airport construction contracts. The goal had been 15 percent.
- Safety-enhancing projects topped the Authority's agenda late in the year with the start of capital programs to install reflectors and rumble strips along the full length of the Expressway. Efforts to improve the reflectivity of painted lines on the roadway, and to improve the road surface, also began.
- The Federal Highway Administration granted approval for an Automated Toll Collection system that will ultimately allow motorists to proceed through toll booths without stopping. The FHWA is expected to fund more than \$5 million of the \$7 million project.
- Economic Development projects moved forward with the start of a public/private partnership to establish International Trade Assistance Centers for South Jersey businesses. The Authority formed several other alliances to further the goal of economic growth.
- Internal accounting controls will be enhanced by a new computer system initiated in 1994 to permit more efficient internal communications and reporting capabilities. The system completely integrates all accounting and administrative functions including procurement and human resources.
- Employees having trouble on the job because of personal problems began getting help through an Employee Assistance Program established in 1994. The program gives confidential counseling to employees facing a wide range of difficulties.



"Safety enhancing projects topped the Authority's agenda late in the year with the start of capital programs to install reflectors and rumble strips along the full length of the Expressway."



THE AUTHORITY DEPARTMENTS



Operations

TOLLS: Toll revenues from the Atlantic City Expressway increased 3.4 percent in 1994, to \$24,218,472 from \$23,429,336 in 1993. Toll traffic increased 3.8 percent, to 48,023,048 vehicles from 46,262,939 in 1993. The South Jersey Transportation Authority, created by the New Jersey Legislature in 1991, began operating the road in December 1992. The Expressway handled 791,493,258 vehicle miles of travel, a 3.2 percent increase over 1993. Traffic was up throughout 1994 at each of the Expressway's seven toll areas: Pleasantville, Pomona, Mays Landing, Egg Harbor, Hammonton, Winslow and Williamstown.

"Recognizing that toll collectors are our 'Goodwill Ambassadors' to the motoring public, the Department began courtesy training for 144 employees. The course is now given to every new toll collector."

At Pleasantville, a barrier toll and the Expressway's most frequented toll area, 24,699,061 vehicles were recorded in 1994 compared with 23,663,708 in 1993. Egg Harbor, the Expressway's other barrier toll and its second most-used toll plaza, increased to 14,387,872 vehicles from 13,988,834 in 1993. Motorists on the Expressway paid an average of 50.4 cents per toll. That translates into an average per-mile fare that is 38 percent lower than the national average. The fare at Egg Harbor is \$1.00. All other plazas except Williamstown cost \$0.25 for cars. The fare at Williamstown is \$0.10.

The Operations Department saved tens of thousands of dollars during the year through a restructuring of toll plaza personnel. Without a single layoff, the Tolls Division consolidated three superintendent positions into one, and in February replaced toll takers at Mays Landing with an automatic collection system. Six gates were eliminated at the Pleasantville plaza, as were four monitors who had been helping motorists who could not pass the gates because their coins missed a collection basket. Several positions that were vacant because of retirements or other factors were left vacant.

The Tolls Division forged ahead with efforts to deter toll evaders. Employees or cameras looked for violators at every toll area. Toll workers notified the State Police of violators, many of whom were caught and fined.

Recognizing that toll collectors are our "Goodwill Ambassadors" to the motoring public, the Department began courtesy training for 144 employees. The training sessions, costing a total of only \$9,800, also focused on strategies for dealing with difficult situations. The course is now given to every new toll collector hired. Department officials conducted the program with guidance from the International Bridge, Tunnel and Turnpike Association.



MAINTENANCE: Maintenance workers accomplished what at times seemed like the impossible: they kept the Expressway open through every hour of the ice and snow storms that pummeled the region during the winter, causing road closings elsewhere and major shortages of road salt. Because of the Division's success, radio stations routinely advised motorists to take the Expressway instead of other routes.

The Maintenance Division responded to nineteen call outs for snow and ice control during the 1993-1994 winter season. Workers used 4,278 tons of salt, at a cost of \$136,627, and 7,316 tons of liquid calcium at a cost of \$4,495. Total snow-control efforts cost \$376,049 including overtime pay for employees. Overtime costs were substantially lower than the previous year because of increased use of compensatory time instead of overtime payments. In all, storm-control on the Expressway cost the Authority \$1,670 per lane mile.

The Maintenance Division helped build a new, state-of-the-art State Police barracks at the Farley Service Plaza and renovated SJTA's Central Maintenance facilities to house the newly created Engineering Department. The roof of the bus driver lounge at the Authority's Huron Avenue parking facility also was reconstructed during the year. Working with the Engineering Department, Maintenance responded to motorist complaints by resurfacing the on ramp from Route 40 to the Expressway westbound.

As they do every year, Maintenance workers were quick to support the State Police when lane closings were needed. They had a prime role in all road work to make sure it was done safely and drivers were inconvenienced as little as possible.

STATE POLICE: Thirty-nine State Troopers from Troop A in Hammondon moved into a new barracks at the Farley Service Plaza in April. The 9,000-square-foot building, a true forerunner of the comprehensive State Police barracks of the future, was built with room to grow. Up to sixty troopers can use the facility when needed. The barracks includes a full service automotive garage and has state-of-the art communications capabilities. Standing in the center plaza, the barracks also makes the State Police's presence on the Expressway more visible to motorists who need help, or who are inclined to violate traffic-safety laws.

Troopers on the Expressway are charged with more than enforcing the law, and they assisted motorists with mechanical, health or other problems a total of 10,948 times in 1994, a slight increase over 1993. They handled 827 calls from the motorist call boxes stationed at one-mile intervals on the Expressway. They also responded to 541 accidents, 178 involving injuries.



“Maintenance workers accomplished what at times seemed like the impossible: they kept the Expressway open through every hour of the ice and snow storms that pummeled the region during the winter.”





Tragically, fifteen people died because of injuries sustained in 10 accidents on the Expressway. The severity of some of the accidents was unprecedented, with just three incidents accounting for eight of the deaths. Single vehicle accidents, often due to inattention or to drivers falling asleep at the wheel, accounted for 80 percent of the fatal accidents. In 90 percent of these accidents, the occupants were not wearing seat belts. The fatality rate of 1.9 per 100 million vehicle miles of travel was higher than in recent years but lower than in 1987. In response to the one-year increase in fatalities, the Authority expanded its safety program to include a series of new safety improvements that will be completed in 1995.

The State Police made 524 criminal arrests, or twenty-eight more than in 1993. More Driving While Intoxicated charges were filed: 337 compared with 313 in 1993. General police duties (those not including traffic or criminal activities) also increased. Surveillance efforts to deter toll violators continued during the year with either troopers or cameras at each toll plaza.

“Troopers on the Expressway are charged with more than enforcing the law, and they assisted motorists with mechanical, health or other problems a total of 10,948 times in 1994.”

Troopers participated in several awareness campaigns including Operation Safe Baby, a public/private effort to increase the proper use of child safety seats. In cooperation with the Burger King restaurant at Farley Service Plaza, the State Police encouraged motorists to stop for free coffee on Christmas and New Year’s Eve. At other times troopers manned Expressway toll booths to reinforce the safety message. Other safety measures included stepped up inspections of the buses that travel the Expressway.

BUS MANAGEMENT: The Bus Management function of the Operations Department expanded in scope during 1994 to fulfill the responsibilities of total traffic management. Division employees implemented a detailed plan to make travel during summer weekends, holidays and special events safer and more convenient. The plan included strategies to divert motorists onto other routes when needed, often with the help of mobile Variable Message Signs.

The Authority used one sign, for example, to direct eastbound vehicles onto Route 40 when more than four cars began to back up at each lane of the upcoming, Pleasantville toll plaza — even though this resulted in lost revenue. Division employees worked with the Garden State Parkway to advise Expressway-bound drivers of the best way into Atlantic City. Division employees also stationed a tow truck at the Beach Thorofare Bridge, which leads into the city, to quickly handle breakdowns that could otherwise close a lane, causing backups.

Traffic management research revealed that motorists often failed to take the best routes out of Atlantic City. In response, fliers explaining the most convenient routes were handed to drivers at Expressway



toll plazas in time for the July 4 holiday. The Division sent letters describing the traffic management strategies to casino CEOs and the police chiefs of towns served by the Expressway.

Bus Management officials also began looking at the value of Authority-owned bus parking lots as part of a long range plan to secure adequate facilities for the bus companies that bring millions of tourists into Atlantic City:

The Division stepped up enforcement of state laws regulating bus operations in areas where gaming is authorized, issuing a total of 1,140 warnings or summonses — a 64 percent increase over 1993. Increased staff levels made enforcement more effective, but Division officials also took steps to prevent violations. The Division held thirty meetings with bus operators during the year to encourage drivers to follow Authority-authorized routes and comply with safety regulations. Violations dropped dramatically after the meetings. This proactive approach to bus-regulation enforcement will continue in 1995.

The Division contributed to Tolls Division efforts to save funds by sharing resources within the Operations Department and increasing efficiency.

In September, the Division organized the annual Bus Roadeo, where bus drivers navigate complex obstacle courses to test their skills and compete for prizes.

Engineering

The year 1994 ushered in a new, expanded role for the Engineering Department. No longer in charge of just road work on the Atlantic City Expressway, the Department became responsible for overseeing all capital expenditures for the Authority. The new responsibilities included projects to improve safety and service on the Expressway, in Authority-owned facilities in Atlantic City and at Atlantic City International Airport.

By the end of the year the Department was involved in all capital improvements and taking a proactive approach to ensure from the outset that projects were completed with the highest levels of quality, efficiency and safety possible.

Expressway customers should experience safer, faster and more convenient travel upon completion of a \$7.5 million Automated Toll Collection system that the Department advanced in 1994. The Authority won Federal Highway Administration and New Jersey Department of Transportation approval for the system that will ultimately give motorists a host of benefits including the ability to



“Bus Management employees implemented a detailed plan to make travel during summer weekends, holidays and special events safer and more convenient.”





“Expressway customers should experience safer, faster and more convenient travel upon completion of a \$7.5 million Automated Toll Collection system that the Department advanced in 1994.”



drive through toll booths without stopping. Automated toll collection will also help the Authority monitor traffic by computer. The data should make it easier to notify motorists before they encounter traffic delays, or to give other advisories. The FHWA is expected to pay more than \$5 million of the total cost, leaving the Authority's share at less than \$2 million.

In the last quarter of the year, the Department resurfaced entrance and exit areas at the Expressway's two main toll plazas to give the pavement more grip on automobile tires. Workers changed paint-strip patterns at the tolls to encourage motorists to reduce their approach speed, and to line up safely at toll booth entrances. The new patterns succeeded in better directing motorists toward the booths, but did not appear to reduce speed. Lessons learned during the project will help Department staff design a new solution, possibly involving “rumble strips” in the pavement. Department engineers are looking for a way to reduce vehicle speeds near the toll plazas without using a road surface that creates a noise nuisance for the residents of adjacent neighborhoods.

Other Department projects during the year included the installation of reflectors along seven miles of the Expressway road surface. The reflectors make nighttime travel safer and enhance a sense of security for both drivers and passengers. The Authority will install them along the entire length of the roadway. Workers also installed rumble strips along 10 miles of the road to alert drivers who inadvertently drift from a travel lane onto the shoulder. Like the reflectors, these strips of grooved pavement have proved their ability to increase safety and will be installed along the full length of the 44-mile Expressway.

The Department installed 4,700 feet of guide rails and constructed a crash cushion at mile marker eight, but staff efforts during the last quarter of 1994 concentrated on ways to prevent accidents — whether with the reflectors, rumble strips, road resurfacing or other strategies. Everyone at the Authority wants the Expressway to continue to earn its reputation as one of the safest toll roads in the world.

The Department contracted with the NJDOT to conduct a complete Expressway inventory. DOT workers measured every mile of every lane for skid resistance, pitch and ruts. This telemetry report, completed in the fall of 1994, led to a five-year, \$25 million plan to fully resurface the road for enhanced safety and driving comfort. Areas that need the most attention will be repaired in the first year of the project at an expected cost of \$ 1 million.

The Department experimented late in the year with a wide range of paints to improve the reflectivity and durability of line markings on the Expressway. With the unavailability of oil-based paints because

of environmental concerns, the staff faced the challenge of finding a paint that would hold its color and last for more than one year, but not be too expensive. Tests were done on several different formulas.

In cooperation with Atlantic Electric, the Department agreed to re-lamp the entire Farley Service Area to give rest-stop patrons a brighter, safer facility at night. Modern lighting standards — far more stringent than those in place when the rest stop was built in 1963 — now exist because of the joint effort.

As part of its new role, the Department also directed the design of the 42,000-square-foot expansion of the Airport, an \$8.4 million project. When completed in early 1996, patrons and airlines alike will find more and better facilities at the Airport, including enclosed jetways to ease boarding. Passengers will experience more amenities and a more attractive terminal from which to board a flight or disembark.

Airport

The Airport Department had several successes at Atlantic City International Airport (ACY) in 1994 but witnessed a 7.3 percent decline in air traffic. About 816,900 passengers used ACY during the year, compared with 881,240 in 1993. Charter traffic accounted for 47 percent of the total, compared with 45 percent in 1993. Projections for the last quarter of 1995 and future years anticipate a substantial increase in traffic due to a major terminal expansion and projects to make Atlantic City an even more attractive destination for tourists.

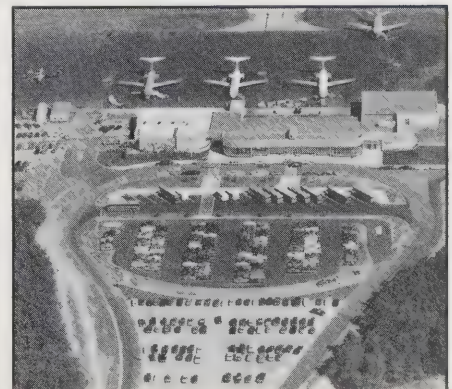
Talks with U.S. Customs during the year earned the Airport a User Fee Designation that will make ACY more accessible to international passengers. With the change, expected to take effect in the summer of 1995, foreign passengers can land in Atlantic City without being pre-cleared by Customs officers at another airport.

Other accomplishments included:

- Department staff updated the long-range, \$154 million Master Plan for Airport development in preparation for release in early 1995. The plan features an expansion launched in 1994 to nearly double the size of the terminal to attract more airline service. It also calls for future growth only when the number of passengers grows to set levels. Unlike many capital plans, this expansion program is tied directly to need, not the calendar.
- The \$8.4 million terminal expansion will allow the Airport to accommodate 1.3 million passengers a year. It includes the addition of a second story, enclosed loading bridges for all-weather boarding, a restaurant, new baggage facilities and other amenities. Future improvements under the Master Plan include direct access to ACY from the Atlantic City Expressway.



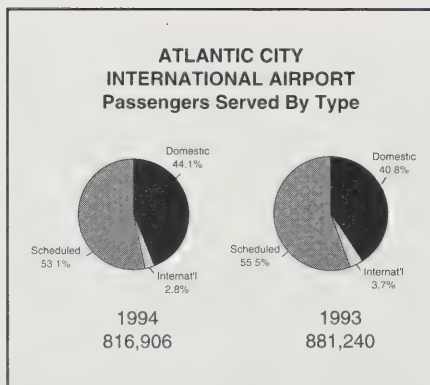
“The \$8.4 million terminal expansion will allow the Airport to accommodate 1.3 million passengers a year. Future improvements include direct access to ACY from the Atlantic City Expressway.”





"The Department assumed responsibility for ACY's 13 member Aircraft Rescue and Firefighting Unit, and operated it for \$1.5 million less than the year before."

- Authority efforts to increase diversity pleasantly surpassed expectations at ACY, with sixteen minority contractors getting 31 percent of the dollars spent on design, construction and supplies. The Authority more than doubled its goal of 15 percent.
- One new fuel farm was completed at ACY and a second one is under construction. With these facilities the Airport can meet the fueling needs of additional airlines.
- Florida Gulf Airlines, a USAir subsidiary, began service in November with thirteen daily flights to Philadelphia and two daily flights to New York's LaGuardia Airport. Previously, USAir scheduled four daily flights to Philadelphia and one to Pittsburgh.
- The Department assumed responsibility for ACY's 13-member Aircraft Rescue and Firefighting Unit, and operated it for \$1.5 million less than the year before. ARFF operations had been the responsibility of the Federal Aviation Administration and a private contractor.
- The Department purchased three snow-removal vehicles to clear aircraft parking areas in winter storms. FAA funds covered 90 percent of the \$159,000 cost of the primary snow-removal vehicle, a state-of-the art piece of equipment designed especially for airports. The Department also installed an automated security-access system in the terminal and completed temporary facilities to handle traffic during construction of the terminal addition.
- For the first time, passengers who took taxis from the airport benefited from a new permitting system that required standardized fares. And a convenient shuttle bus service took patrons between ACY and Atlantic City.
- As part of the Authority's commitment to an open-door policy on issues that could impact local residents, the Department worked in 1994 with an Airport Citizens Advisory Council that directly represented communities adjacent to ACY. The Advisory Council succeeded in its role as a liaison between the Authority and communities potentially affected by the Airport expansion.



Total air travel declined by 64,334 passengers despite an increase at Continental Airlines, which completed its first full year at ACY with 44,590 scheduled passengers.

Johnson Controls Management Systems Inc., the Airport operator for the past nine years, attributed the decline to several factors. They include: the bankruptcy of Northwest AirlinK, the loss of USAir jet service because of financial difficulties, and the expansion of gaming in cities closer to Boston and Detroit. The two cities are major markets for Atlantic City casinos. Gaming competition also

helped draw passengers from Spirit Airlines. Poor weather in January and February contributed to the decline as well by causing canceled flights. Johnson Controls said public concern about the safety of flying small aircraft also contributed to the traffic decrease.

The Authority, which acquired the Airport in 1992, took steps in 1994 to take control of all financial and policy decisions at the Airport when Johnson Controls' 10-year contract expires on March 31, 1996. The Authority will hire private contractors to operate the Airport under the direction of Authority staff. Once the system is in place, Airport revenues exceeding operating expenses will flow to the Authority.

Traffic at ACY is expected to increase because of the new management structure, the airport improvements and major development projects in Atlantic City. The \$254 million Atlantic City Convention Center will open in 1997 to begin drawing tens of thousands of new visitors to the region each year. About 1,400 hotel rooms were added to the city's inventory in 1994, and thousands more are expected in the next few years. A Corridor Development project to enhance the entrance to the city should also make it an even better place to visit.

Marketing

The Marketing Department launched a series of economic development initiatives in 1994 with the goal of attracting businesses to the Atlantic City area and larger South Jersey region. Highlights from the year included successful negotiations for extra flights at Atlantic City International Airport (ACY) by Florida Gulf Airlines, a USAir subsidiary, and for a U.S. Customs designation that will increase the number of international passengers using the Airport.

A partnership with Continental Airlines, formed in 1993, continued to offer improved, reliable service to area travelers. With four daily flights to Newark, and the choice of 75 domestic and international destinations from there, the airline served 44,590 scheduled passengers in 1994, its first full year at ACY. Discussions with other airlines are continuing.

Airport traffic should increase because of a User Fee Designation that grew from talks the Department began with U.S. Customs. The designation will make ACY more attractive to international passengers who, because of the designation, can fly directly to ACY without being pre-cleared at another airport.

The Department negotiated the construction of ten billboards along the Atlantic City Expressway for a minimum of \$360,000 a year in revenue to the Authority. These negotiations succeeded in reducing



"A partnership with Continental Airlines, formed in 1993, continued to offer improved, reliable service to area travelers. The airline served 44,590 scheduled passengers in 1994, its first full year at ACY."





“Airport traffic should increase because of a User Fee Designation that grew from talks the Department began with U.S. Customs. International passengers can fly directly to ACY without being pre-cleared at another airport.”



the potential number of billboards by one-third. Without the Department’s initiative, these ten billboards and more could be built without the Authority’s consent — and without the revenue.

More revenue will come from ACY because of negotiations in 1994 to sell advertising inside the Airport terminal through a professional advertising firm. Also during the year, the Department was instrumental in convincing federal officials to set aside \$500,000 in transportation funds for South Jersey, and to continue a similar amount of Federal Aviation Administration funding for ACY.

The Department took on a broad range of other projects, and formed several alliances, to further the goal of economic growth. Staff spent much of the year building awareness of the Airport, which has been under utilized. Advertisements were placed in newspapers and targeted industry magazines, and on radio and cable television.

Wherever good marketing opportunities existed, the Department took advantage of them. Staff attended trade and tourism shows, prepared brochures describing the advantages of the Airport, and continued monthly mailings to 8,000 business leaders and others involved in travel, tourism and government. The quarterly Airport Flight Guide, begun in 1994, was one department publication.

The Department kept the Authority as an active member of the New Jersey Travel Industry Association, the Atlantic County Economic Development Corporation and several chambers of commerce, and helped form the Alliance of Industrial Parks. Alliance members will pool resources to encourage businesses to relocate to the area. In cooperation with the airlines, the Department held a symposium at ACY that drew 300 travel agents.

Working with Atlantic Electric and the Authority’s Planning and Development Department, Marketing staff initiated a study on the international trade potential of South Jersey. The public/private partnership that sprang from these efforts has already begun to make strides toward increasing international trade through the establishment of trade assistance centers for area businesses. As part of this effort, the Department completed a study on the possibility of creating a Foreign Trade Zone at ACY. The zone, which allows reduced tariffs and other benefits for exporters and importers, can be put in place because of the work done in 1994.

Research on the travel patterns of South Jersey residents, commissioned by the Department, will help the Authority better meet the needs of the region’s citizens. In a similar vein, the Department was in charge of tracking all proposed legislation that could affect the traveling public in the six-county region served by the Authority. More than once, staff from the Department or other parts of the Authority testified before Legislative committees on transportation-related issues.

As part of its responsibility to reach out and inform the public and government leaders, the Department continued its practice of giving monthly updates to county officials. Staff also addressed the Freeholder boards of the six South Jersey counties, plus the boards in Ocean and Burlington counties.

Planning & Development

The Planning and Development Department conducted a series of studies in 1994 to assess the needs of motorists and find ways to meet those needs cost effectively. At the same time, the Department focused on ways to improve South Jersey's economy through improved transportation services.

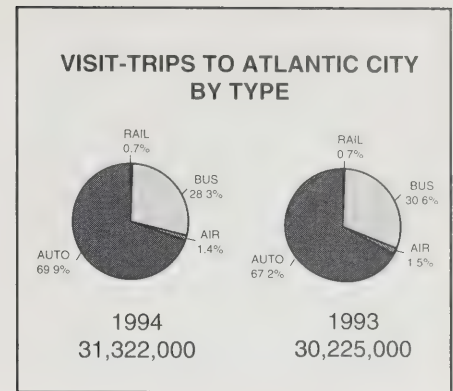
The Authority contracted with Parsons Brinckerhoff to inventory and evaluate the existing transportation system and project growth stemming from development of the Atlantic City/Mainland Corridor. The study found that several locations along the corridor, which is the primary access way to the city, will be at or near capacity by 2000. A traffic management solution featuring a state-of-the-art Intelligent Transportation System was recommended.

This study also led to an Authority proposal for New Jersey Department of Transportation and Federal Highway Administration funding for a series of improvements to make Expressway travel safer and more convenient. The improvements include fixed and Variable Message Signs, tags detector, traffic surveillance system and a traffic operations center. Funding is anticipated in 1995.

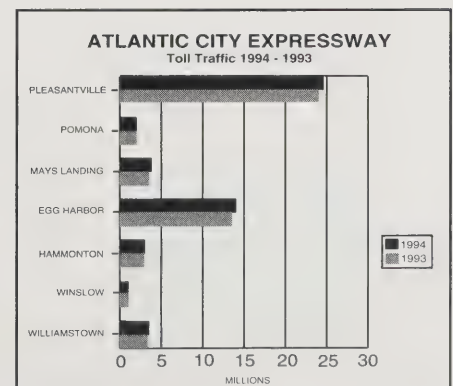
The Department continued to prepare annual visitor statistics which are widely used by the investment community, casinos and tourist agencies throughout the state. Annual reports summarizing transportation statistics in the Authority service area are also compiled. Staff members use the statistics to tailor transportation services to the needs of Shore-bound Expressway patrons.

The Department secured a Federal Transit Administration grant to conduct a broad range of studies on services. They include: Regional Park and Ride, Visitor and Travel Information Program and Atlantic City Ground Transportation Plan.

Economic-development activities in 1994 focused on ways to boost international trade in the region. The Authority entered a public/private partnership with other government agencies and Atlantic Electric to establish International Trade Assistance Centers for South Jersey businesses. The Southern New Jersey International Trade Partnership will provide counseling and information to businesses engaged in international trade — and businesses seeking a foreign market for their products. The Partnership will also encourage foreign investment in the region.



"The Department continued to prepare annual visitor statistics which are widely used by the investment community, casinos and tourist agencies throughout the state."





"To develop strategic alliances with leverage to retain existing business, the Authority joined with not only area businesses, but colleges, utilities and business park developers."

All of this work is planned using existing state, federal and private-sector resources. The Partnership members are Atlantic Electric, Delaware River Port Authority, New Jersey Department of Commerce and Economic Development, United States Department of Commerce and the South Jersey Transportation Authority.

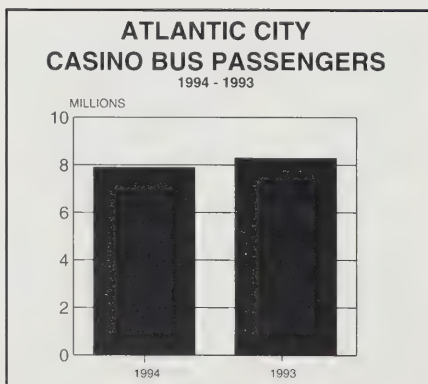
The Authority worked on a fiber optic communications project with the NJDOT, New Jersey Highway Authority and New Jersey Turnpike Authority. The agencies looked at the feasibility of using the state's roadway network to install a fiber optic system to improve communications and thus stimulate economic development.

As part of a commitment to increasing opportunities for small, women and minority businesses, the Authority joined the Regional Alliance for Small Contractors and is actively promoting the Alliance's programs. More than 200 businesses attended a Department-sponsored regional procurement workshop in Pleasantville, and more than thirty-five businesses attended a technical workshop on government procurement, held in Cherry Hill.

To develop strategic alliances with leverage to retain existing businesses, the Authority joined with not only area businesses, but colleges, utilities and business park developers. Planning and Development Department liaison relationships included the Atlantic County Economic Development Advisory Committee, New Jersey Council for Urban Economic Development, the Southern New Jersey Development Council and local Chambers of Commerce.

The Department's Bus Management activities focused on the application of new rules and regulations as required by state legislation. Bus route designations, bus intercept and dispatch functions, and bus parking-lot and maintenance requirements were part of the new comprehensive Bus Management Program established in February. During the year, the Authority approved fifty bus-related applications from both casino and non-casino activity centers, six maintenance facilities and four parking lots.

To better the quality of life for many residents in Atlantic City, the Department directed all uptown casino bus traffic away from residential areas and onto a newly widened Delaware Avenue.



SJTPO

Under the administrative shell of the Authority, the South Jersey Transportation Planning Organization provided a forum in 1994 for cooperative decision making between state and local officials, as well as transit operators and the public.

At the core of the SJTPO mission was the formulation of a Regional Transportation Plan and a multi-year Transportation Improvement program. As the official Metropolitan Planning Organization for South Jersey, the SJTPO maintained the eligibility of member agencies for federal transportation funds.

The Authority received several contracts from the SJTPO in 1994 through the Unified Planning Work Program sponsored by the Federal Highway Administration. The projects included:

- Employee Trip Reduction Program for Salem and Cumberland Counties. The SJTPO developed a trip-reduction plan for the Salem County government, including strategies such as car pooling, shift changes, telecommuting and compressed work weeks.
- Cape May Intermodal Ground Transportation Study. The SJTPO completed a draft report in 1994 on ways to coordinate and develop ground transportation services between the Atlantic City International Airport, proposed Cape May Seashore Rail Line, the Cape May Lewes Ferry, major resort destinations and potential park-and-ride locations.
- Western Atlantic County Transit Demand Study. The SJTPO began preliminary work on this study to determine potential demand for transit service in these communities. If unmet transit demands exist, the Authority will propose new services and outline funding sources.

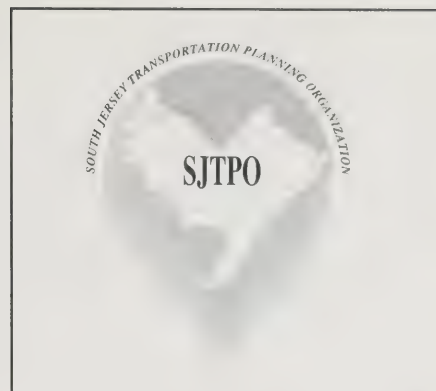
Finance

Gross revenues in 1994 totaled \$29,576,194, a .9 percent increase over 1993 revenue. Toll revenues were \$24,218,472, a 3.4 percent increase.

Other Revenue sources amounted to \$5,357,722. This is comprised of Bus and Auto parking, permit sales, investments and Grant reimbursements. See Figure 1.

Operating Expenditures in 1994 totaled \$24,368,227. Figure 2 shows 1994 operating expenditures by department.

The Authority received \$525,340 through a forward supply agreement with TMG Financial Services. The agreement enabled the Authority to receive the present value of interest earnings on all sinking fund payments for the remaining term of its 1992 Series B and 1994 Series Bond Issues by locking in a rate of return of 6 percent. This was a higher rate of interest than the authority would have otherwise been able to realize through other approved short term investment vehicles to date.



"A complete overhaul of the Authority's computer system began in 1994. The new system permits more efficient internal communications and enhances internal control."

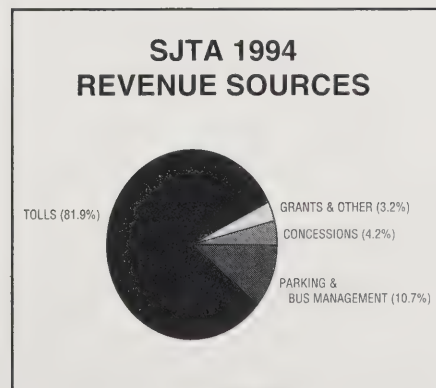


Figure 1.

SJTA 1994 EXPENDITURES BY DEPARTMENT

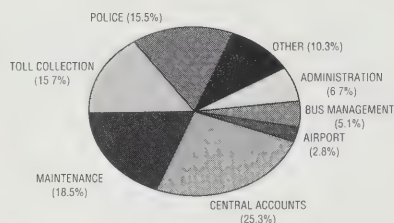


Figure 2.

"Efficiency and internal controls were also enhanced by the automation of toll cash deposits through the use of a bar-code system and on-line data transmission."

The Department also took advantage of recently released Internal Revenue Service regulations which enabled the Authority to replace its 1992 Series A taxable bonds (with 6.6 percent and 7.3 percent taxable coupons) with tax exempt bonds with a true interest cost of 3.99 percent. This saved \$1,500,000.

Following the guidance of Government Accounting Standards Board Statements No. 16 and No. 7, the Authority posted two non cash charges to its statement of Revenues, Expenses and Charges in Fund Equity totaling \$1,258,168. Had it not been for these charges, which established a liability for compensated absences and completely wrote off a loss on the sale of the 1994 bonds, the Authority would have posted a net income of \$1,093,146 instead of a net loss of \$165,022.

In the last quarter of the year, the Department took steps to make certain that comprehensive records of fixed assets were being maintained. A program to tag and inventory fixed assets was established for completion in 1995. The issue came to the Authority's attention late in 1994 with the release of the 1993 SJTA Report of Audit.

A complete overhaul of the Authority's computer system began in 1994. The new system permits more efficient internal communications and reporting capabilities as well as enhances internal control. The system completely integrates all accounting and administrative functions including procurement and human resources. Hardware installation will be completed in 1995 and the system is expected to be fully operational in early 1996.

Efficiency and internal controls were also enhanced by the automation of toll cash deposits through the use of a bar-code system and on-line data transmission. The automation allowed a reduction in count room staff.

The Authority implemented an Employee Assistance Program in 1994. The program provides free confidential counseling to employees with family, marital, alcohol or drug, and emotional or financial difficulties.

The Department also helped successfully negotiate a one-year contract extension of the collective bargaining agreement with Local 196 Chapter 2 International Federation of Professional and Technical Engineers, the SJTA's largest union. The union represents toll collectors and maintenance workers. The union workers received a 2.5 percent across-the-board wage increase and one additional personal paid leave day.

The Authority's Financial Statements for the year ended December 31, 1994 follow:

SAVINGS REALIZED AS A RESULT OF 1994 BOND REFINANCING INTEREST COSTS

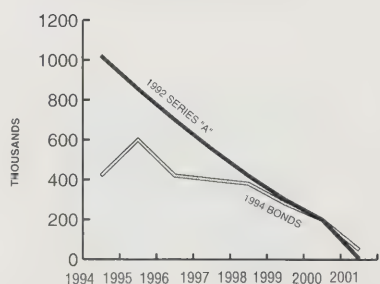


Figure 3.

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INDEPENDENT AUDITORS' REPORT

The Chairman and Commissioners of
The South Jersey Transportation Authority
Hammonton, New Jersey 08037

We have audited the accompanying balance sheet of the South Jersey Transportation Authority, a component unit of the State of New Jersey, as of December 31, 1994, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with the provisions of New Jersey OMB's Circular 93-05. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the Authority has prepared these financial statements in accordance with the provisions of the bond resolution, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Jersey Transportation Authority, State of New Jersey, as of December 31, 1994, and the results of its operations and cash flows for the year then ended in conformity with the basis of accounting described in Note 2 to the financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.


BOWMAN & COMPANY
Certified Public Accountants

Millville, New Jersey
June 13, 1995

BOWMAN & COMPANY, LLP

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

The Chairman and Commissioners of
The South Jersey Transportation Authority
Hammonton, New Jersey 08037

We have audited the financial statements of the South Jersey Transportation Authority, State of New Jersey, as of and for the year ended December 31, 1994, and have issued our report thereon dated June 13, 1995.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of New Jersey OMB's Circular 93-05. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the South Jersey Transportation Authority, State of New Jersey, for the year ended December 31, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the South Jersey Transportation Authority, State of New Jersey, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the provisions of the bond resolution, which is comprehensive basis of accounting other than generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls:
 Treasury or Financing
 Revenue/Receipts
 Purchases/Disbursements
 Personnel/Payroll
 Financial Reporting
 Administrative Controls for Compliance
 with Laws and Regulations:
 General Controls
 Specific Controls

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

1. A comprehensive fixed asset record is not maintained. A comprehensive record would allow the Authority to enhance its safeguard of assets from unauthorized use or disposition. This can be achieved by assigning a tag number and location to its fixed asset inventory and monitoring the addition, movement and disposition of such assets on a periodic basis.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe that the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the South Jersey Transportation Authority, State of New Jersey, in a separate letter dated August 9, 1995.

This report is intended for the information of the South Jersey Transportation Authority's management, and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon filing, is a matter of public record.


 BOWMAN & COMPANY
 Certified Public Accountants

Millville, New Jersey
 June 13, 1995

BOWMAN & COMPANY, LLP

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INDEPENDENT AUDITORS' COMPLIANCE REPORT

The Chairman and Commissioners of
The South Jersey Transportation Authority
Hammonton, New Jersey 08037

We have audited the financial statements of the South Jersey Transportation Authority, State of New Jersey, as of and for the year ended December 31, 1994, and have issued our report thereon dated June 13, 1995.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of New Jersey OMB's Circular 93-05. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the South Jersey Transportation Authority, State of New Jersey, is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the South Jersey Transportation Authority, State of New Jersey, complied in all material respects with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions.

This report is intended for the information of the South Jersey Transportation Authority's management, and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon filing, is a matter of public record.


BOWMAN & COMPANY
Certified Public Accountants

Millville, New Jersey
June 13, 1995

THE SOUTH JERSEY TRANSPORTATION AUTHORITY
COMBINED BALANCE SHEET

<u>ASSETS</u>	<u>December 31, 1994</u>
Unrestricted Assets:	
Cash and Cash Equivalents	\$7,093,515.49
Change Funds	22,020.00
Imprest Account	1,025.36
Interest Receivable	45,119.31
Accounts Receivable	535,584.55
Renovation Advances Receivable	87,649.23
Grants Receivable	587,739.27
Preliminary Costs for Property Acquisition	33,015.98
Materials and Supplies	6,834.70
Fuel Inventory	23,235.68
	<hr/>
Total Unrestricted Assets	8,435,739.57
	<hr/>
Restricted Assets:	
Debt Service Fund:	
Cash and Cash Equivalents	1,234,298.50
Interest Receivable	1,366.31
Rehabilitation and Repair Fund:	
Cash and Cash Equivalents	5,149,190.20
Interest Receivable	16,290.64
State Payment Fund	
Cash and Cash Equivalents	2,565,006.38
Interest Receivable	6,402.83
Debt Service Reserve Fund:	
Cash and Cash Equivalents	5,696,291.81
Interest Receivable	16,073.22
Construction Fund:	
Cash and Cash Equivalents	9,089,504.66
Accounts Receivable	249,082.36
Grants Receivable	421,398.84
Interest Receivable	12,816.97
Bond Issuance Costs	180,183.75
	<hr/>
Total Restricted Assets	24,637,906.47
	<hr/>
Property, Plant and Equipment:	
Completed	66,409,295.29
Improvements in Progress	10,508,813.98
	<hr/>
	76,918,109.27
	<hr/>
	\$109,991,755.31
	<hr/> <hr/>

THE SOUTH JERSEY TRANSPORTATION AUTHORITY
COMBINED BALANCE SHEET (CONT'D)

<u>LIABILITIES AND FUND EQUITY</u>	<u>December 31, 1994</u>
Current Liabilities Payable	
from Unrestricted Assets:	
Accounts Payable	\$590,084.64
Retainages Payable	3,641.50
Deferred Income	143,989.63
Deferred Interest Revenue	63,250.94
Payroll Charges Payable	59,505.10
Accrued Expenses	1,382,971.45
Reserve for Bus Parking Improvements	136,764.45
	<hr/>
Total Current Liabilities Payable	
from Unrestricted Assets	2,380,207.71
	<hr/>
Current Liabilities Payable from	
Restricted Assets:	
Accrued Interest	515,052.05
Accounts Payable	761,250.36
Retainages Payable	101,576.65
Contracts Payable	133,000.00
Bonds Payable, Net of Bond Discount (\$39,796.90)	
and Bond Premium \$12,257.48	1,952,460.58
Reserve for Economic Recovery Funds	530,656.74
	<hr/>
Total Current Liabilities Payable	
from Restricted Assets	3,993,996.38
	<hr/>
Noncurrent Liabilities:	
Accrued Expenses - Compensated Absences	528,073.13
Deferred Interest Revenue	435,296.72
Bonds Payable, Net of Bond Discount (\$491,151.03)	
and Bond Premium \$31,761.93	55,010,610.90
	<hr/>
Total Long Term Liabilities Payable	
from Restricted Assets	55,973,980.75
	<hr/>
Total Liabilities	62,348,184.84
	<hr/>
Fund Equity:	
Contributed Capital--Grants	19,908,693.19
Retained Earnings:	
Unrestricted	10,452,320.77
Restricted	
Debt Service Fund	330,000.00
Rehabilitation and Repair Fund	5,135,000.00
State Payment Fund	2,500,000.00
Debt Service Reserve Fund	5,306,655.00
Construction Fund	4,010,901.51
	<hr/>
Total Retained Earnings	27,734,877.28
	<hr/>
Total Fund Equity	47,643,570.47
	<hr/>
	\$109,991,755.31
	<hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

THE SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

For the Year Ended
December 31, 1994

Operating Revenues:

Operating Revenue:

Tolls	\$24,218,471.80
Concessions	1,240,338.34
Garage Parking	547,288.10
Intercept Parking	973,732.55
Bus Parking	599,066.89
Bus Permits	533,258.50
Bus Management	325,425.00
Casino Management	125,000.00
Rentals	57,519.84
Grants	726,938.76
Other	229,154.52

Total Operating Revenues

29,576,194.30

Operating Expenses:

Toll Collections	3,823,699.31
Maintenance	4,519,973.06
Police	3,788,719.96
Other	2,511,900.76
Administration	7,808,419.76
Airport	672,562.18
Bus Management	1,242,951.93

Total Operating Expenses

24,368,226.96

Operating Income

5,207,967.34

Non-operating Income (Expenses):

Interest Revenue	1,136,914.74
Interest on Bonds	(2,898,063.53)
State Payment	(2,500,000.00)
Accrued Debt Service Cancelled	280,000.00
Accrued Interest on Bond Sale	3,091.04
Reserve for Bus Parking Improvements	(136,764.45)
Loss on Refunding of Bonds	(730,094.45)

Non-Operating Income (Expenses)

(4,844,916.65)

Net Income Before Effect of Change

In Accounting Principal (Carried Forward)

363,050.69

THE SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS (CONT'D)

For the Year Ended
December 31, 1994

Net Income Before Effect of Change in Accounting Principal (Carried Forward)	\$363,050.69
Cumulative Effect of Change in Accounting Principal (Note 13)	<u>(528,073.13)</u>
Net Loss	(165,022.44)
Retained Earnings January 1, 1994	<u>27,899,899.72</u>
Retained Earnings December 31, 1994	<u><u>\$27,734,877.28</u></u>
Analysis of Balance:	
Unrestricted	\$10,452,320.77
Restricted	<u>17,282,556.51</u>
	<u><u>\$27,734,877.28</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

THE SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1994

Cash Flows from Operating Activities:	
Operating Income	\$5,207,967.34
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:	
Amortization	154,212.22
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(322,074.02)
(Increase) in Grants Receivable	(434,220.71)
(Increase) in Other Assets	(9,646.17)
(Decrease) in Accounts Payable	(17,782.36)
(Decrease) in Deferred Revenue	(32,625.21)
(Decrease) in Payroll Charges Payable	(26,138.63)
(Decrease) in Accrued Expenses Payable	(1,272,223.51)
Total Adjustments	(1,960,498.39)
Net Cash Provided by Operating Activities	3,247,468.95
Cash Flows from Capital and Related Financing Activities:	
Cost of Issuance on Refunding Bonds	(283,321.52)
Preliminary Costs for Property Acquisition	(33,015.98)
Forward Supply Contract	525,340.00
Proceeds from Capital Grants	3,527,955.57
Interest on Bonds	(3,002,965.63)
Payment of Bond Principal	(2,070,000.00)
Acquisition and Construction of Capital Assets	(6,447,946.33)
State Payment	(2,500,000.00)
(Decrease) in Contracts Payable	(67,000.00)
Net Cash Provided by in Capital and Related Financing Activities	(10,350,953.89)
Cash Flows from Investing Activities:	
Interest on Investments	1,012,053.12
Renovation Loan	(90,000.00)
Collection on Renovation Advance	2,350.77
Net Cash Provided by Investing Activities	924,403.89
Net Decrease in Cash and Cash Equivalents	(6,179,081.05)
Cash and Cash Equivalents at Beginning of Year	37,029,933.45
Cash and Cash Equivalents at End of Year	\$30,850,852.40

The accompanying Notes to Financial Statements are an integral part of this statement.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994

Note 1: REPORTING ENTITY

The South Jersey Transportation Authority (the Authority) was created in 1991 by the South Jersey Transportation Authority Act (Act), Chapter 252 of the Laws of New Jersey. The Authority became the successor to the New Jersey Expressway Authority (NJEA) and the Atlantic County Transportation Authority (ACTA). Pursuant to the Act, the Authority acquired the Civil Terminal Area of the Atlantic City International Airport as a transportation project. The purpose of the Authority is to coordinate South Jersey's transportation system in its regional jurisdiction of the counties of Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem and deal particularly with the highway network, aviation facilities and the transportation problems of Atlantic County.

The Authority's responsibility is to maintain, repair and operate the 44-mile Atlantic City Expressway. Other functions of the Authority include those assumed with the acquisition of ACTA as follows: operation of the New York Avenue Parking Garage and related office and commercial space in Atlantic City, New Jersey, bus management, bus and automobile parking, traffic management, and transportation planning in Atlantic County. The Airport Division is responsible for operating and improving the Airport.

The Authority operates under a Board of Commissioners. There are nine Commissioners comprised of the State Commissioner of Transportation, the State Commissioner of Commerce and Economic Development, and seven members appointed by the Governor with Senate approval. Serving under the Authority's Commissioners is the Executive Director supported by various department heads.

The financial statements of the Authority include all funds controlled by or dependent on the Authority Commissioners in accordance with the basis of accounting as promulgated by the 1992 Bond Resolution.

Component Units

The South Jersey Transportation Authority is a component unit of the State of New Jersey as described in Governmental Accounting Standards Board Statement No. 14. These financial statements will be either blended or discreetly presented as part of the State's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting System

The accounting policies of the Authority conform to accounting principles established by the South Jersey Transportation Authority's 1992 Bond Resolution. The financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles (GAAP). The differences between the bond resolution basis and GAAP are as follows:

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting System (Cont'd)**

- 1) Depreciation of property, plant and equipment is not included as an operating expense of the Authority. The cost of all maintenance, repairs, and replacements deemed necessary to maintain the facility in proper operating condition is charged to operations as incurred. GAAP requires the cost of investment in facilities to be depreciated over its useful life on a rational and systematic basis.
- 2) Property, Plant, and Equipment includes the costs of preparing, offering and issuance of bonds and administrative and legal costs. GAAP requires that these financing costs be amortized over the life of the debt.

The Authority is subject to the provisions and restrictions of the 1992 Revenue Bonds and Other Obligations Bond Resolution adopted December 3, 1992. A summary of the activities of each fund created by the bond resolution is covered below.

Revenue Fund

The Revenue Fund accounts for resources and expenditures for Authority operations of a general nature.

Construction Fund

The Construction Fund accounts for the receipt and disbursement of funds for the construction of capital projects.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Debt Service Reserve Fund

The Debt Service Reserve Fund must maintain moneys in an amount equal to the maximum annual principal installment and interest payable on all bonds outstanding in a calendar year. The moneys in this fund ensures there will be no deficiency in the debt service fund.

Rehabilitation and Repair Fund

The Rehabilitation and Repair Fund accounts for moneys which shall be applied to pay the costs of major resurfacing, repairs, renewals or reconstruction of each Pledged Project or any part thereof, whether buildings, improvements, fixtures, or equipment, as determined in writing by the Authority filed by the trustee and the Authority.

The Authority is required to maintain a minimum balance of \$5,000,000, which is to be adjusted, commencing January 1, 1994, each year in accordance with the All-Cities Consumer Price Index; or such minimum balance as shall be determined annually by the consulting engineer.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting System (Cont'd)****State Payment Fund**

The State Payment Fund is used to account for the accumulation of resources for, and the payment of the Authority's State Payment obligations.

General Reserve Fund

The General Reserve Fund is used to make up deficiencies in payments to the other funds, to cover operating expenses of any general project or for any other corporate purpose of the Authority permitted by the Act.

Inability to Meet Debt Service Requirement

If amounts held in the Debt Service Fund are insufficient to pay the Debt Service Requirement coming due on bonds, the trustee shall transfer from the following funds an amount sufficient to eliminate such deficiency: the Debt Service Reserve Fund, General Reserve Fund, State Payment Fund, and the Rehabilitation and Repair Fund.

Pledged Projects

Pledged Projects are the projects for which the 1992 Bonds were issued (except for the project constituting the acquisition of the parking garage facility) and in addition to those projects, a project (1) which generates revenues sufficient to pay the operating expenses and Rehabilitation and Repair Requirement associated with such project in the fiscal year in which such project becomes operational or is designated a Pledged Project by the Authority and (2) which is reasonably projected by the Authority to generate revenues sufficient to pay such project's associated operating expenses and Rehabilitation and Repair Requirement for each of the five fiscal years following the year in which such project becomes operational or is designated a Pledged Project by the Authority.

Budgetary Information

In accordance with section 7.06 of the Bond Resolution, on or before the fifteenth day of each year, the Authority adopts by resolution, an Annual Operating Budget for such year. All operating appropriations lapse at the end of such year. As with all resolutions of the Authority, the budget resolution is subject to a fifteen day Governor's veto period. The resolution becomes in full force and effect if no veto is exercised.

The budget is prepared at the department division level. All division managers are responsible for maintaining expenditures below budget. The department heads may make line-item transfers of appropriations within their departments. All line-item transfers must be approved in writing by the Executive Director. The accounting system will not allow encumbrances to be charged to accounts where the budget is expended.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting System (Cont'd)

Cash, Cash Equivalents and Investments

Pursuant to Article VI, Sections 6.02 (a) and (b) and Section 6.03 of The South Jersey Transportation Authority's bond resolution, all moneys held by any depository may be placed on demand or time deposit, as directed by the Authority, provided that such deposits shall permit the moneys so held to be available for use when needed.

All moneys held by the trustee, or any other fiduciary, or any depository shall be insured by the Federal Deposit Insurance Corporation and to the extent not so insured, shall be continuously and fully secured either by federal securities having a market value of not less than the amount of such moneys or in such other manner as may then be required by applicable federal or state laws and regulations to provide security for the deposit of public funds.

All investments shall be made in "investment securities", as defined by Article I, Section 1.01 of the bond resolution (see Note 3), and shall mature or become subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates the invested amounts are reasonably expected to be needed.

Investments

Investments are considered to be any marketable securities with a life of three months or more when purchased. Investments are stated at cost or amortized cost.

Short-term Interfunds Payables/Receivables

Amounts owed from one Authority fund to another are called "interfunds". They are shown gross on the supplementary financial statements but are eliminated on the combined statements.

Inventory

Inventory consists principally of fuel for the Authority's vehicles and replacement snow plow blades.

Property, Plant and Equipment

The investment in property, plant and equipment is stated at cost. For assets acquired from the New Jersey Expressway Authority, cost was established by the amount of Expressway Authority bonds defeased plus a proportionate share of the issuance cost of the bonds issued by the South Jersey Transportation Authority. For assets acquired from the Atlantic County Transportation Authority, cost was also established by the amount paid plus a proportionate share of issuance cost incurred by the South Jersey Transportation Authority adjusted by other assets or liabilities assumed at the time of acquisition. The apportionment of the cost between land, building, roadways, equipment and other improvements has not been established.

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTSRisks Associated with Deposits and Investments

Article I, Section 1.01 of the Authority's bond resolution provides a list of investment securities which may be purchased by the Authority. The investment securities, as defined by the bond resolution, consists of the following:

- (1) Federal Securities;
- (2) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;
- (3) Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;
- (4) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in (1) or (2) above, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;
- (5) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without regard to sub-categories, by Moody's and Standard & Poor (S&P);
- (6) Repurchase agreements collateralized by obligations described in (1), (2), or (3) with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P, or any commercial bank with the above ratings, provided:

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Risks Associated with Deposits and Investments (Cont'd)

- (a) a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,
- (b) the securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is a Federal Reserve Bank, a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$75,000,000, or a bank approved in writing for such purpose by each credit issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,
- (c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee,
- (d) the repurchase agreement has a term of six months or less, or the Authority will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation,
- (e) the repurchase agreement matures on or before a debt service payment date (or, if held in a Fund other than the Debt Service Fund, Debt Service Reserve fund or Subordinated Debt Fund, other appropriate liquidation period), and
- (f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a rating agency for the ratings assigned by the Rating Agency to the seller.

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)Risks Associated with Deposits and Investments (Cont'd)

- (7) Banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by (4) and (5) above) of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of \$1,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under the bond resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody's and S&P;
- (8) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;
- (9) Deposits in the New Jersey Cash Management Fund;
- (10) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by both Moody's and S&P;
- (11) Commercial paper with a maturity date not in excess of 270 days rated by the rating agencies at least equal to the rating assigned by the rating agencies to the applicable series of bonds and in no event lower than the "A" category established by a rating agency (which may include subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;
- (12) Shares of diversified open-end management investment company as defined in the Investment Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by any nationally recognized bond rating agency which is then rating the bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$50,000,000; and

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)**Risks Associated with Deposits and Investments (Cont'd)**

- (13) Investment contracts (a) providing for the future purchase of securities of the type described in (1), (2), (3) and (7) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated at least "A+" by Standard & Poor's Corporation if the Bonds are then rated by such rating agency and at least "A-1" by Moody's Investors Service, Inc. if the Bonds are then rated by such rating agency.

In general, bank deposits are classified as to credit risk by the three categories described below:

Category 1

Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Authority's name.

Category 3

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository's trust department or agent but not in the Authority's name.

At December 31, 1994, the Authority's deposits and investments are summarized as follows:

<u>Category</u>	<u>Amount</u>
1	\$ 400,000
2	-----
3	30,801,350

Cash Equivalents

The Authority's cash equivalents are comprised of Repurchase Agreements, and short-term investments in Treasury Notes and Treasury Bills. The fair value of these short term investments are based on year-end quoted market prices.

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Risks Associated with Deposits and Investments (Cont'd)

The estimated fair values of the Authority's financial instruments are as follows:

	<u>Carrying Value</u>	<u>Fair Amount</u>
Cash	\$ 14,291,665	\$ 14,291,665
Cash Equivalents:		
Repurchase Agreement	125,000	125,000
U.S. Treasury Bills	16,270,920	16,270,920
U.S. Treasury Notes	513,765	500,220
	<u>\$ 31,201,350</u>	<u>\$ 31,187,805</u>

Note 4: CONTRIBUTED CAPITAL

The Authority received capital grant funding from the United States Department of Transportation Federal Aviation Administration ("FAA") and the New Jersey Economic Development Authority. These funds, as well as other local funds received, were designated and utilized towards the development and improvement of the Atlantic City International Airport.

	<u>Year Ended December 31, 1994</u>
Federal	\$ 5,061,356
State	14,598,255
Local	249,082
	<u>\$ 19,908,693</u>

Note 5: ENCUMBRANCES

Enterprise funds recognize expenses when they are incurred. Encumbrances do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods or services for both the Unrestricted and Restricted Funds. As of December 31, 1994, the Authority had the following outstanding encumbrances:

Revenue Fund	\$ 42,943.54
General Reserve Fund	1,081,982.66
Construction Fund	1,727,015.03
	<u>\$ 2,851,941.23</u>

Note 6: LONG-TERM DEBT

	<u>December 31, 1994</u>
Transportation System Revenue Bonds Series 1994	\$ 13,350,000
Transportation System Revenue Bonds Series 1992 B	44,100,000
	<u>\$ 57,450,000</u>

The 1992 Series B Transportation System Revenue Bonds (serial bonds) of \$21,755,000 have interest rates ranging from 5.5 to 5.9% and mature in various increments November 1, 2001 through November 1, 2007. The Series B term bonds of \$22,345,000 mature November 1, 2012 and have an interest rate of 6%.

On February 3, 1994, the Authority issued the Refunding Bonds of 1994 dated February 1, 1994, in the aggregate amount of \$15,420,000. The Bonds were issued by the Authority to provide funds to: (i) advance refund \$14,935,000 of the 1992 Series A Transportation System Revenue Bonds and (ii) pay the costs of issuance of the 1994 Bonds including the premium for the policy of municipal bond insurance issued for the 1994 Bonds. Although the advance refunding resulted in the recognition of an accounting loss of \$730,094.45 for the year ended December 31, 1994, the Authority in effect reduced its aggregate debt service payments by \$1,846,629.37 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,558,028.62.

The 1994 Refunding Bonds have interest rates ranging from 2.5 to 4.5% and mature in various increments November 1, 1994 through November 1, 2001. The 1994 Bonds involved the issuance of tax exempt bonds that replaced taxable bonds issued in December, 1992. The change in interest rates reduced the total interest payments from \$4,657,445.00 under the 1992 A Bonds to \$2,325,815.63 under the 1994 Bonds.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>1992 Series B Bonds</u>		<u>1994 Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1995	---	\$2,585,675.00	\$1,980,000.00	\$504,637.50
1996	---	2,585,675.00	2,045,000.00	445,237.50
1997	---	2,585,675.00	2,135,000.00	353,212.50
1998	---	2,585,675.00	2,205,000.00	280,622.50
1999	---	2,585,675.00	2,285,000.00	200,140.00
2000-2012	\$44,100,000.00	21,568,250.00	2,700,000.00	124,675.00

Note 7: NET REVENUE REQUIREMENT

The Authority is required to annually meet a Net Revenue Requirement. The Net Revenue Requirement means an amount of net revenue for the period under consideration equal to the greater of: (1) 120% of the debt service payable on all outstanding bonds (net of capitalized interest available for the purpose); or (2) the aggregate of debt service payable on all outstanding bonds (net of available capitalized interest as aforesaid), Rehabilitation and Repair Requirements, State Payment Requirement, debt service payable during the period on subordinated indebtedness, Debt Service Requirements and operating expenses of General Projects, and other required deposits to funds, including the Debt Service Reserve Fund and Rebate Fund.

For the purposes of calculating the Net Revenue Requirement it is necessary to determine which expenditures are attributable to the Pledged Projects of the Authority. At the present time, only the Atlantic City Expressway is a Pledged Project. Therefore, the following incomes and costs included in the Statement of Revenues, Expenses and Changes in Retained Earnings should not be considered when determining the funds available for payment of interest and principal on outstanding bonds:

Operations	Revenues	Expenses
Bus Parking	\$ 599,066.89	
Bus Management	325,425.00	\$ 1,242,951.93
Casino Management	125,000.00	
Grants	726,938.76	
Airport		672,562.18
Other		2,511,900.76
	<u>\$ 1,776,430.65</u>	<u>\$ 4,427,414.87</u>

The total operating revenue available to calculate the Net Revenue Requirement should be stated as \$27,799,763.65. The operating expenses should be stated as \$19,940,812.09. Non-operating Revenue available for calculating the Net Revenue Requirement is \$1,136,914.74. The Net Revenue available for the Net Revenue Requirement is \$8,995,866.30 and Debt Service for 1994 was \$5,072,965.63 yielding 177.33%. This exceeds the 120% required.

Note 8: FORWARD SUPPLY CONTRACT

In accordance with the 1992 Bond Resolution, the Authority is obligated to make monthly deposits to the Debt Service Fund of amounts which will provide sufficient funds to pay, on the next semi-annual interest and annual principal payment dates, the debt service on the bonds coming due. The Trustee was authorized and directed to execute a Forward Supply Contract with TMG Financial Products Inc. (TMGFP), where moneys on deposit in the aforementioned fund will be utilized to purchase Qualified U.S. Government Obligations which, together with interest to be earned thereon and certain reinvestments thereof, will mature at such times and in such amounts as will enable the Authority to make the next scheduled principal or interest payments for the Authority's Transportation System Revenue Bonds, 1992 Series B and 1994 Series. The Authority received \$525,340 as a one time fixed payment from TMGFP upon the execution of the Forward Supply Contract.

Note 9: PENSION PLANS**Description of Systems**

All required employees of the Authority participate in the following contributory defined benefit public employee retirement system which has been established by state statute: the Public Employees' Retirement System. This system is sponsored and administered by the New Jersey Division of Pension and Benefits ("Division"). State statute requires an actuarial valuation every year and an actuarial investigation every three years. Such a valuation and review ensure that this program adequately recognizes the revisions resulting from experience or legislative change in the benefits to be paid. The system is considered a cost sharing multiple-employer plan.

Public Employees' Retirement System

The Public Employees' Retirement System ("PERS") was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health coverage. Retired employees will receive the Authority's post-retirement health care coverage after twenty years of service with the Authority (see Note 10). Members are eligible for retirement at age sixty with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Employee contributions are remitted quarterly to the Division. The amount of the Authority's contribution is determined by the annual actuarial valuation, and subsequently, the Authority is invoiced by the Division for its normal annual contributions to the system. Legislation enacted in 1991 and 1993 made early retirement available, subject to Authority approval, to those under age sixty with twenty-five or more years of credited service. Also, anyone who retires early and is under age fifty-five receives retirement benefits as calculated in the previously mentioned formula, but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age fifty-five).

Contributions Required and Made

As described below, benefits and contributions vary and are determined by statute. Chapter 62, P.L. 1994, otherwise known as Pension Reform, instituted a number of changes that, among other things, affect the method in which both the employer and employees contribute to the system. The employee contribution rate changed to a flat five percent for new employees effective July 1, 1994, and a flat five percent for current employees effective July 1, 1995, with a one percent offset for current employees whose current full contribution rate is less than six percent until July 1, 1996 (the 2% Social Security offset would then be eliminated). Additional changes for cost-of-living adjustments, inflation assumptions, salary increase assumptions and actuarial assumptions have also been instituted with the adoption of this law.

Note 9: PENSION PLANS (CONT'D)Contributions Required and Made (Cont'd)

The Authority's total payroll for the year ended December 31, 1994 for all employees was \$11,635,929. Base payroll subject to pension contributions for the year ended December 31, 1994 for all employees covered under the retirement system was \$9,475,088. Contributions to the PERS for the year ended December 31, 1994 made by the employees and the Authority were as follows:

	<u>PERS</u>
Employees	\$ 386,270
Authority	183,679
	<hr/>
	\$ 569,949
	<hr/>

In addition to the normal contribution, the Authority has an accrued liability on account of prior service costs for their enrolled employees. As of December 31, 1994 the accrued liability was \$ 952,992 payable in annual installments of \$ 35,296 with the last installment due on April 1, 2021.

Funding Status and Progress

The "pension benefit obligation" is a standardized disclosure measure representing the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future based on employee service credited to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of the retirement systems on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. This measure is independent of the actuarial funding method used to determine employer contributions to the system discussed under the "Contributions Required and Made" section.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of March 31, 1993. The liabilities were determined as of March 31, 1993 and projected forward to June 30, 1993 allowing for increases in benefits and variations in the population during the three month period. The projected unfunded (surplus) pension benefit obligation as of June 30, 1993 is as follows:

Note 9: PENSION PLANS (CONT'D)

Funding Status and Progress (Cont'd)

	<u>PERS</u> (in thousands)
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Not Yet Receiving Benefits	\$ 4,904,650
Current Employees:	
Accumulated Employee Contributions With Interest	2,739,510
Employer Financed - Vested	3,389,260
Employer Financed - Nonvested	1,066,680
	<hr/>
Total Pension Benefit Obligation	\$ 12,100,100
Actuarial Value of Assets	12,729,331
	<hr/>
Unfunded (Surplus) Pension Benefit Obligation	\$ (629,231)
	<hr/> <hr/>
Valuation Assets Available as a Percentage of the Pension Benefit Obligation	105.2%
	<hr/> <hr/>
Market Value of Net Assets	\$ 13,337,654
	<hr/> <hr/>

The Authority's required contribution to the PERS stated as a percentage to contributions for all required employers covered by the pension system was as follows:

	<u>PERS</u>
Total Employer Contributions	\$267,036,872
Percentage of Authority's Contribution	.0688%

Trend Information

Ten year historical trend information presenting the PERS progress in accumulating sufficient assets to pay benefits as they come due is available from the New Jersey Division of Pensions and Benefits.

Related Party Investments

The Division of Pensions and Benefits does not invest in securities issued by the Authority or other related parties.

Note 10: AUTHORITY POST-RETIREMENT MEDICAL BENEFITS

The Authority offers certain health care benefits for its retired employees. All employees of the SJTA are eligible if, at retirement, they have at least 20 years of full time service with the Authority and are qualified to immediately receive pension payments from PERS; or have 25 years or more service credited in the PERS and immediately eligible to receive pension benefits. The cost of providing these benefits for 49 retirees for the year ended December 31, 1994 is not separable from the cost of providing benefits for 259 active full-time employees for the year ended. The Authority provided \$1,523,399 for the year ended December 31, 1994 for the cost of these benefits.

Note 11: LEASES

The Authority leases a 1993 Ford Tempo GL under a capital lease agreement expiring in 1996.

The minimum future lease payments under the capital lease as of December 31, 1994 for each of the next two years are:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
1995	\$ 3,587.16
1996	3,288.23
Total minimum lease payments	6,875.39
Less: Amount representing interest	(396.96)
Present value of net minimum lease payments	<u>6,478.43</u>

The interest rate on the capital lease is 6.00% which represents the lessor's implicit rate of return.

Note 12: CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 1994, the Authority changed its method of accounting for the annual payment made to the State of New Jersey. Management believes that this cost should be presented as a non-operating expense. The effect of this change was to increase non-operating expenditures and decrease operating expenditures by the amount of this annual payment. The change had no material effect on the beginning and ending retained earnings balances for the year ended December 31, 1994.

Note 13: COMPENSATED ABSENCESNon-Union Employees

Full-time, non-union employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent year. The Authority compensates employees for unused sick leave only upon retirement. The current policy entitles an employee to receive a maximum payout of \$17,500.00, which is paid at the employee's rate of pay at retirement. Up to 10 vacation days may be accumulated and carried forward to the subsequent year. Written approval from the Executive Director is required if more than ten days are carried forward. Any carried over vacation time must be taken during the subsequent year or is lost.

Part-time employees are entitled to a proportionate amount of compensated absences based on hours worked.

Compensatory time for full-time employees cannot accrue beyond 80 hours and must be taken within 12 months of being earned. The use of compensatory time must be approved by a Department Director. The Authority may, at its discretion, purchase back compensatory time at the employee's rate of pay when the compensatory time was earned.

Union Employees

In accordance with the union contracts in effect during 1994, members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A must use their vacation time or lose it, unless approval is received from their department head to carry over vacation time. Any carried over vacation time must be taken during the subsequent year or is lost. In addition, members are entitled to accumulate sick time up to \$17,500.00. The following percentages apply:

For employees who resign in good standing, or retire but do not receive pension payments under P.E.R.S.:

50% of present salary for the first 150 days of accumulated sick days up to a maximum of \$17,500.

100% of present salary for accumulated sick leave in excess of 150 days.

For employees who retire and are immediately eligible to receive payments under P.E.R.S.:

75% of present salary for the first 150 days of accumulated sick days up to a maximum of \$17,500.

100% of present salary for accumulated sick leave in excess of 150 days.

Members of Local 196, Chapter 2 who may have accrued an amount in excess of \$17,500.00 as of October 30, 1992, and who also may retire or resign in good standing prior to expiration of the current union contract on October 31, 1995 are "grandfathered" in at the November 1, 1992 pay rate. Any such employee shall be capped at \$17,500.00 or the amount determined using the November 1, 1992 pay rate, whichever is greater.

Note 13: COMPENSATED ABSENCES (CONT'D)Union Employees (Cont'd)

On June 2, 1994, a compensatory time policy was put in place for a one year trial basis for members of Local 196, Chapter 2. Under this policy, compensatory time can be accrued up to a maximum of 32 hours and must be taken each year by October 30th.

Under the contract for Local 193, Chapter A, compensatory time cannot accrue beyond eighty hours and must be taken within 12 months of being earned.

Change in Accounting Principal

The Authority had not accrued the liability for compensated absences in prior years. In order to comply with Government Accounting Standards Board Statement No. 16, the Authority established a liability for compensated absences. This resulted in a change in accounting principal from prior years. The Authority's accrued liability for compensated absences including additional amounts accrued for social security, medicare and pension plan contributions as of December 31, 1994 is as follows:

Sick Time	\$ 330,584.19
Vacation Time	162,292.25
Compensatory Time	35,196.69
	<hr/>
	\$ 528,073.13
	<hr/>

Note 14: DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 of 1986, as amended. The plan, which is administered by the New Jersey Turnpike Authority, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts deferred under the plan, all property and rights purchased with these amounts, and all income attributable to these amounts, property, or rights are (until paid or made available to the participating employee or other beneficiary) solely the property and rights of the Authority, (without being restricted to the provisions of benefits under the plan), subject to claims of the general creditors of either. Participants' rights under the plan are equal to the fair market value of each participant's account.

Note 15: SOUTH JERSEY TRANSPORTATION PLANNING ORGANIZATION

The South Jersey Transportation Planning Organization (SJTPO) is a metropolitan planning organization whose function is to develop transportation programs for urbanized areas of the State in order to encourage and promote the development of intermodal transportation systems that maximize mobility and minimize air pollution. The New Jersey Department of Transportation Grant for Administration Staff Support for the South Jersey Transportation Planning Organization is designed to reimburse the SJTA for their expenses incurred each year for the SJTPO. These expenses typically include salaries, fringe benefits and non-salary direct expenses.

Note 16: AIRPORT MANAGEMENT

The Civil Terminal Area of the Atlantic City International Airport is operated by Johnson Controls Management Systems, Inc., Atlantic City International Airport Division, as assignee and successor to Pan Am World Services, Inc. under a Use and Occupancy Agreement with the Authority, as assignee of the City of Atlantic City. As the operator, Johnson Controls Management Systems, Inc. receives the net revenues from, and pays all expenses associated with, the operation of the Civil Terminal Area.

Pursuant to the Airport Acquisition Agreement, the Authority will pay or cause Johnson Controls to pay Atlantic City an annual basic fee of \$230,000 and an annual percentage fee equal to 15% of the gross receipts from the Civil Terminal Area less the basic fee, until December 31, 1996. Thereafter, the Authority will make an annual payment to Atlantic City of \$500,000 adjusted annually by the Philadelphia Consumer Price Index as promulgated by the Bureau of Labor Statistics using the year 1996 as a base year of 100. This payment must be derived solely from the Authority's revenues.

Note 17: RELIANCE HEALTHCARE GROUP

In 1993 Reliance Healthcare Group (Reliance) entered into a lease agreement with the Authority for office space owned by the Authority. On March 15, 1994, the Authority entered into an agreement with Reliance whereby the Authority agreed to make an advance to Reliance for completion of certain improvements to the leased office space. For the purpose of repayment, the advance was treated as two separate advances of \$40,000.00 and \$50,000.00. Reliance agreed to repay the \$40,000.00 portion at a yearly interest rate of six percent over sixty equal consecutive monthly installments and the \$50,000.00 portion at a yearly interest rate of six percent over thirty-six equal consecutive monthly installments.

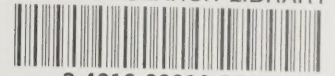
Note 18: HANSEN'S BUS WORLD

On December 21, 1993 the Authority authorized an agreement for the purchase of Hansen's Bus World (HBW) for \$6,223,277. HBW, located in Atlantic City, New Jersey, has been engaged in providing temporary parking for buses bringing visitors to the area since July, 1985. In addition to providing parking space, HBW also supplied the buses with fuel, space for maintenance and provides a cafeteria and lounge with sleeping accommodations for the drivers.

Note 19: STATE PAYMENT

Pursuant to an agreement dated November 17, 1983 between the SJTA (as successor to the New Jersey Expressway Authority) and the State Department of Transportation, the Authority has agreed to make annual payments to the State of New Jersey at a sum of \$2,500,000.

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